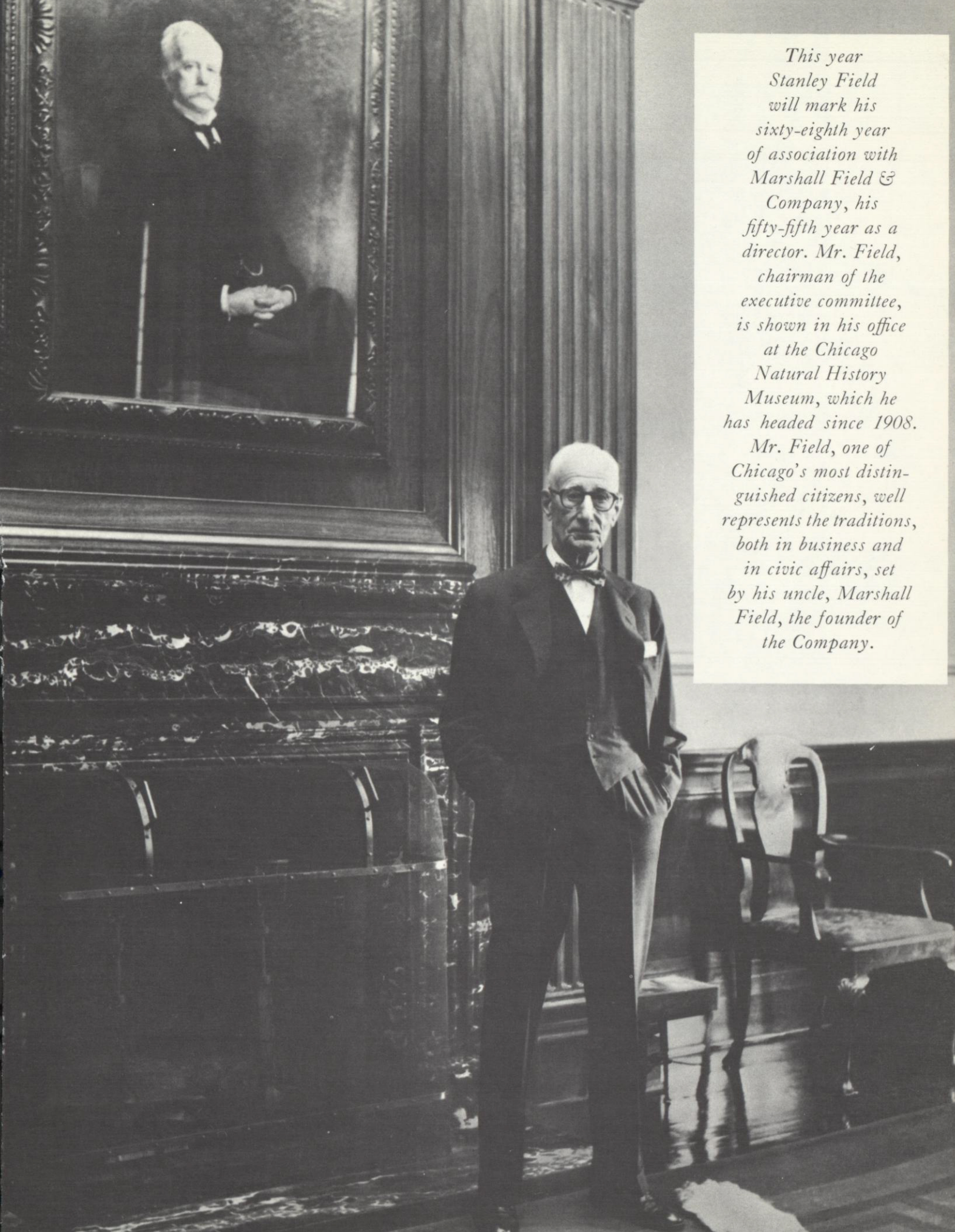


ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1961



This year Stanley Field will mark his sixty-eighth year of association with Marshall Field & Company, his fifty-fifth year as a director. Mr. Field, chairman of the executive committee, is shown in his office at the Chicago Natural History Museum, which he has headed since 1908. Mr. Field, one of Chicago's most distinguished citizens, well represents the traditions, both in business and in civic affairs, set by his uncle, Marshall Field, the founder of the Company.

MARSHALL FIELD & COMPANY

founded in 1852

an Illinois corporation

incorporated in 1901

general offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1960

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
**CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO**
Chicago

**MORGAN GUARANTY TRUST COMPANY
OF NEW YORK**
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

THE STORY IN BRIEF*(in thousands of dollars)*

	Fiscal Year		
	1960	1959	1958
Net Sales	\$234,201	\$234,339	\$217,979
Income before Federal Taxes	17,881	18,437	14,914
Federal Taxes on Income	9,021	9,250	7,500
Net Income	8,861	9,187	7,414
Net Income per Common Share	4.41	4.50	3.51
Dividends Declared per Common Share	2.50	2.50	2.25
Cash and Securities	32,329	27,217	28,325
Accounts Receivable	28,694	29,909	26,932
Merchandise Inventories	31,440	31,903	31,504
Net Working Capital	66,536	62,903	61,932
Ratio of Current Assets to Current Liabilities	3.5	3.3	3.4
Expenditures for Plant and Equipment			
Modernization and Replacement ...	1,770	1,998	2,080
Expansion	755	157	3,191
Depreciation	3,971	3,866	3,533
Common Shareholders' Investment ...	96,751	93,434	88,919
Book Value per Common Share	49.27	47.45	45.36

MARSHALL FIELD & COMPANY

The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1961.

Your Company's sales volume for the year was \$234,201,000 compared with \$234,339,000 for the preceding year. Net income was \$8,861,000 compared with \$9,187,000 in 1959.

Net income per Common Share was \$4.41 in 1960, \$4.50 in 1959. Operating results and other financial data are summarized on the opposite page.

The decline in general business activity which developed in 1960 had but a slight effect on the sales volume of your Company except in our Frederick & Nelson operation in Seattle. Department store sales in that area in 1960 fell several percentage points below the national average.

I am sure you will be interested in knowing that our Mayfair store in suburban Milwaukee made very gratifying progress in 1960. Customer appreciation of the character of a Marshall Field & Company operation has been growing steadily in that area. We expect this trend to continue.

The quarterly dividend rate of 62½ cents per Common Share, which was increased from 50 cents in October 1959, was maintained throughout the year.

On March 1, 1961, the Board of Directors of the Company proposed an amendment to our Articles of Incorporation, the effect of which will be to split the 4,000,000 Common Shares presently authorized into 8,000,000 Common Shares. This amendment requires the approval of the holders of two-thirds of the Common Shares and two-thirds of the Preferred Shares outstanding. Shareholders of record at the close of business on March 24, 1961, will be entitled to vote. If approval is obtained at our annual shareholders' meeting on May 3, 1961, each Common Shareholder will receive as soon thereafter as practicable one additional Common Share for each share held of record at the close of business on May 10, 1961.

The Board of Directors believes that the proposed split of the Common Shares will be in the best interests of both the Company and its shareholders. It is expected to increase and broaden public interest in the stock, improve its marketability, and widen its distribution.

The Board of Directors has announced that it plans to increase the next quarterly cash dividend payable on the Common Shares from 62½ cents to 70 cents per share on the shares now outstanding. This would make the new annual rate on those shares \$2.80 per share compared to the \$2.50 paid during the past year. If the proposed split is approved by shareholders, the new quarterly dividend rate would amount to 35 cents on the shares which would be outstanding after the split, or \$1.40 per share annually. The first quarterly dividend at the new rate is expected to be paid on May 31 to shareholders of record at the close of business on May 10, 1961.

Your Company continues to enjoy an exceptionally strong cash position. Cash and securities increased during the year from \$27,217,000 to \$32,329,000.

We exercised our option to prepay without premium, in March 1961, \$1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to \$27,000,000.

Merchandise inventories on January 31, 1961, were slightly below the level of the preceding year-end. Accounts receivable decreased from \$29,909,000 to \$28,694,000. The ratio of current assets to current liabilities increased from 3.3 to 3.5.

The Company's minimum rent obligation under long-term leases approximates \$634,000 per annum.

Payments toward the 1960 cost of our Retirement Program were \$946,000. On January 31, 1961, the market value of assets in our Pension Trust was \$42,347,000. Since its establishment in 1943, a total of \$9,228,000 has been paid out of the Pension Trust to 3,929 retired employees.

Our capital expenditures during the past year were \$2,525,000, about two-thirds of which were for the purpose of modernizing or replacing existing facilities. Depreciation on all properties totaled \$3,971,000. Again in the coming year we expect our capital outlay on stores now in operation to be well below our charge for depreciation. We know of no organization of our type whose properties are in better physical condition.

Construction of Oakbrook Center in west suburban Chicago, which was announced last year, and which will be one of the country's largest quality shopping centers, is proceeding according to plan. With the leasing program nearly completed by the developers, we are now assured that many important retailers will operate stores in the center. Your Company's investment in its store building, fixtures, inventories, and receivables will approximate \$11,500,000, with most of this expenditure falling in 1961 and 1962. Our store in Oakbrook Center is scheduled to open in the spring of 1962.

Some of our shareholders may not be aware of the fact that with the completion of Oakbrook, your Company since 1952 will have increased the floor area of its stores from 2,969,000 to 4,351,000 square feet. Parenthetically, it is interesting to note that in 1952 your Company's earnings were \$5,617,000; in 1960, \$8,861,000. Our increase in floor area has been accomplished mainly through the enlargement of the Frederick & Nelson main store, the opening of the Bellevue store outside Seattle, the Old Orchard and Park Forest stores in the Chicago area and the Mayfair store near Milwaukee. There will shortly be a Marshall Field & Company unit within easy driving distance of everyone living in the vast metropolitan Chicago area.

In the process of keeping in step with the increase and shift in population, and with changes in buying habits, your Company has spent many millions of dollars of capital funds. It has spent many additional millions on the modernization of its older properties, including its two largest profit-makers, the main store of Marshall Field & Company on State Street in Chicago and that of Frederick & Nelson in Seattle.

We recently conducted a study of the composition of our shareholder group and you may be interested in some of the facts derived. Of our 15,400 Common Shareholders, nearly 70 per cent own less than 100 shares each; 87 per cent of our 700 Preferred Shareholders own less than 100 shares each. Your Company has shareholders in each of the fifty states and in many foreign countries. The heaviest concentration is in Illinois, New York and California.

Mr. William S. Street, an Executive Vice President of the Company and President and General Manager of the Frederick & Nelson Division, recently announced his decision to retire on January 31, 1962. He relinquished management responsibility on January 31, 1961. During the coming year he will be available to his successor for consultation. He will devote much of his time to certain civic matters of direct interest to Frederick & Nelson.

Mr. Street for many years has effectively managed the affairs of Frederick & Nelson. He has ably represented the traditions and principles your Company values so highly, and he has served the Seattle community with great distinction as one of its leading business citizens.

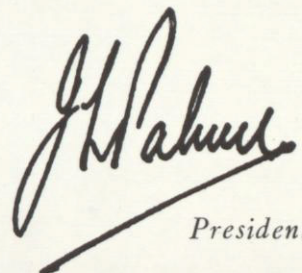
On February 1, 1961, Mr. Cornelius J. Byrne, Vice President and General Merchandise Manager of Frederick & Nelson, was appointed General Manager, with complete responsibility for the management of this Division of our business.

On the same date, Mr. Jasper Utz, Vice President and Assistant General Merchandise Manager of Frederick & Nelson, was appointed General Merchandise Manager.

It is sometimes the custom in annual reports to view the future with a conservative blend of optimism and caution. It appears to me, however, that the action recently taken by our Board of Directors with respect to our Common Shares adequately reflects the confidence of both your Board and your Management in the future of Marshall Field & Company. Our earnings in each of the past two years have been at the highest level since 1948. The first quarter of 1961 is not starting out too well but we still have most of our fiscal year ahead of us, and to our Company the last half is far more important than the first.

As you know, many people look for an upturn in the business cycle during the coming months. However right they may be, we have great faith in the vitality and relative stability of the American economy. Our confidence in the future of your Company is further enhanced by knowledge of the great goodwill evidenced toward us by the buying public, the seasoned skills and strong morale of our staff, and the loyal support we enjoy from thousands of suppliers, shareholders and others associated with our business.

By Order of the Board of Directors,



J. H. Palmer
President

March 16, 1961

**MARSHALL FIELD
& COMPANY**

INCOME STATEMENT

		Fiscal Year Ended	
		January 31, 1961	January 31, 1960
NET SALES		\$234,200,857	\$234,339,264
DEDUCT:			
Cost of goods sold and expenses, exclusive of items listed below		\$203,135,854	\$203,038,552
Maintenance and repairs		2,472,828	2,305,036
Provision for depreciation and amortization		3,970,642	3,865,846
Taxes other than Federal income taxes ...		5,057,168	4,935,814
Rentals paid		1,273,488	1,263,902
Net interest expense		409,474	493,376
Federal income taxes		9,020,739	9,250,000
		<u>\$225,340,193</u>	<u>\$225,152,526</u>
NET INCOME FOR THE YEAR		<u>\$ 8,860,664</u>	<u>\$ 9,186,738</u>

EARNED SURPLUS	BALANCE AT JANUARY 31, 1960	\$66,043,431
	Net income for the year	8,860,664
		<u>\$74,904,095</u>
	Cash dividends declared on —	
	Cumulative Preferred Shares, 4¼ % Series.. \$ 200,936	
	Common Shares (\$2.50 per share)	4,907,261
		<u>5,108,197</u>
	BALANCE AT JANUARY 31, 1961	<u><u>\$69,795,898</u></u>
PAID-IN SURPLUS	BALANCE AT JANUARY 31, 1960	\$ 9,804,631
	Excess of par value of 3,068, 4¼ % Cumulative Preferred Shares purchased and cancelled, over the cost thereof	24,495
		<u>\$ 9,829,126</u>
	Excess of cost of 18,300 Common Shares purchased and cancelled, over the average stated value thereof	697,254
		<u>\$ 9,131,872</u>

**MARSHALL FIELD
& COMPANY
BALANCE SHEETS**

	January 31, 1961	January 31, 1960
ASSETS		
CURRENT ASSETS:		
Cash	\$ 9,662,232	\$ 9,828,984
United States Government securities and other short-term investments, at cost ...	22,667,089	17,388,221
Receivables from customers and others, less reserves for doubtful accounts of \$1,133,500 at the end of each year...	28,694,173	29,908,773
Merchandise inventories, priced at the lower of cost or market	31,439,670	31,902,699
Prepaid insurance, supply inventories, etc.	1,076,482	1,209,843
Total Current Assets	<u>\$ 93,539,646</u>	<u>\$ 90,238,520</u>
FIXED ASSETS:		
Land, at cost	\$ 18,120,710	\$ 18,312,886
Buildings, leaseholds and equipment, at cost	82,347,149	80,716,631
	<u>\$100,467,859</u>	<u>\$ 99,029,517</u>
Less — Reserves for depreciation and amortization	37,563,215	34,502,167
Net Fixed Assets	<u>\$ 62,904,644</u>	<u>\$ 64,527,350</u>
 GOODWILL, TRADEMARKS, ETC.	 \$ 1	 \$ 1
	 <u><u>\$156,444,291</u></u>	 <u><u>\$154,765,871</u></u>

	January 31, 1961	January 31, 1960
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	\$ 7,094,726	\$ 7,595,794
Accrued Federal income taxes	7,941,350	7,569,632
Other accrued liabilities	11,967,409	12,170,209
Total Current Liabilities	\$ 27,003,485	\$ 27,335,635
3¾% NOTES, maturing from 1972 to 1982	\$ 28,000,000	\$ 29,000,000
CAPITAL STOCK:		
Cumulative Preferred Shares —		
Authorized 196,894 shares at January 31, 1961 of \$100 par value, issuable in series—4¼% Series; redeemable at premium of \$4.00 per share; issued and outstanding 46,894 shares at January 31, 1961.....		
	\$ 4,689,400	\$ 4,996,200
Common Shares —		
Authorized 4,000,000 shares of no par value, of which 141,755 shares may be sold to officers or employees without first offering such shares to the shareholders; options are outstanding for 75,305 shares at prices ranging from \$29.00 to \$49.76 per share; options for 43,765 shares are presently exercisable; issued and outstanding 1,963,708 shares at January 31, 1961, at stated value (see page 3 for proposed change in capitalization).....		
	17,823,636	17,585,974
PAID-IN SURPLUS	9,131,872	9,804,631
EARNED SURPLUS (\$37,381,085 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)		
	69,795,898	66,043,431
	\$101,440,806	\$ 98,430,236
	\$156,444,291	\$154,765,871

AUDITORS' CERTIFICATE

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

*To the Shareholders of
Marshall Field & Company:*

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1961, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Marshall Field & Company as of January 31, 1961, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
March 6, 1961

BOARD OF DIRECTORS

JOHN M. BUDD
KENT CHANDLER
MARSHALL FIELD, JR.
STANLEY FIELD
HENRY P. ISHAM
WILLIAM V. KAHLER
HUGHSTON M. McBAIN
JOHN McKINLAY, JR.
JAMES L. PALMER
GERALD A. SIVAGE
WILLIAM S. STREET

President, Great Northern Railway Company
Director, A. B. Dick Company
President and Publisher, Chicago Sun-Times and Chicago Daily News
President, Chicago Natural History Museum
Chairman of the Board, Clearing Industrial District, Inc.
President, Illinois Bell Telephone Company
Retired Chairman of the Company
Executive Vice President and Treasurer of the Company
President of the Company
Executive Vice President of the Company
Executive Vice President of the Company

CORPORATE OFFICERS

JAMES L. PALMER
JOHN McKINLAY, JR.
GERALD A. SIVAGE
WILLIAM S. STREET
DAVID W. DAVIDSON
JOHN D. ANDERSEN
RALPH E. BOWERS
CHARLES M. RHODES
ROBERT A. WILBRANDT

President
Executive Vice President and Treasurer
Executive Vice President
Executive Vice President
Senior Vice President
Vice President and Comptroller
Vice President and Secretary
Assistant Treasurer
Assistant Secretary

DIVISION OFFICERS

Chicago Stores Division

EINAR L. BJORKLUND
JOSEPH A. BURNHAM
WILLIAM L. ENGLISH
JOSEPH N. FIELD
CHARLES W. FOLDS
CLARENCE T. GREGG
CARL GULDAGER
EARLE HARRISON
CHARLES C. HOLLOWAY
DONALD K. KEITH
JOHN T. MOSS
HARRY D. PERKINS
LLOYD H. RICHMOND
RICHARD W. STEENBERG
WILLIAM C. STETSON

Vice President, Merchandising
Vice President, Operating
Vice President, Divisional Comptroller
Vice President, Merchandising
Vice President, Merchandising
Vice President, Merchandising
Vice President, Merchandising
Vice President, Advertising and Public Relations
Vice President, Operating
Vice President, Merchandising
Vice President, Merchandising
Vice President, Design
Vice President, Merchandising
Vice President, Personnel
Vice President, Merchandising
Vice President, Merchandising

Frederick & Nelson Division

CORNELIUS J. BYRNE
JASPER UTZ
MYRON C. LAW

Vice President, General Manager
Vice President, General Merchandise Manager
Vice President, Operating

Mayfair Division

ARNOLD D. K. MASON

Vice President, Merchandising

STORE LOCATIONS

In the Chicago Area

Marshall Field & Company
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oakbrook (in progress)
One Mall, Oakbrook Center, Oak Brook

Oak Park
1144 Lake Street, Oak Park

Old Orchard
One Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

In the Milwaukee Area

Mayfair
*One Mayfair Mall North
Wauwatosa, Wisconsin*

In the Seattle Area

Frederick & Nelson
5th and Pine Streets, Seattle

Bellevue Square
Bellevue, Washington



Chicago



Evanston



Lake Forest



Frederick & Nelson



Oak Park



Park Forest



Bellevue



Mayfair

Old Orchard



Oakbrook in progress



